DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING
July 10, 2018
815 Florida Avenue, NW
Washington, DC 20001
5:30 p.m.

Minutes

I. Call to order and verification of quorum.

DCHFA Board Chair, Mr. Buwa Binitie, called the meeting to order at 5:35 p.m. and asked the Secretary to the Board, Mr. Todd A. Lee to verify a quorum. With five members present, the Board of Directors had a quorum, and the meeting continued.

The following members were present at roll call: Buwa Binitie, Steven Green (telephonically), Bryan “Scottie” Irving (telephonically), Stanley Jackson, and Sheila Miller.

II. Approval of the Minutes from the June 12, 2018 Board Meeting.

A motion was made to approve the minutes from the June 12, 2018 Board Meeting by Ms. Miller. The motion was properly seconded by Mr. Jackson.

The motion passed by a chorus of ayes.

III. Vote to close meeting to discuss an Initial Credit Review for Southern Avenue and Final Bond for Ainger Place.

Pursuant to the District of Columbia Administrative Procedure Act, the Chairperson of the Board of Directors will call a vote to close the meeting in order to discuss, establish, or instruct the public body’s staff or negotiating agents concerning the position to be taken in negotiating an Initial Credit Review for Southern Avenue and Final Bond for Ainger Place.

A motion to close the meeting was made by Mr. Jackson, seconded by Ms. Miller and was followed by a chorus of ayes.

The meeting was closed by unanimous consent at 5:40 p.m. and resumed at 6:30 p.m.

Mr. Binite recused himself from the discussion and voting of the Southern Avenue project.

DCHFA Underwriter, Ugonna Ibebuchi Duru, presented the transaction and information to the Board.

IV. Re- Open Meeting

Ms. Miller moved to re-open the meeting and seconded by Mr. Jackson.

The meeting was re-opened at 6:30 p.m.

V. Initial Credit Review – Southern Avenue

Ms. Duru presented the following information about the transaction for the record:

The Multifamily Lending and Neighborhood Investment's Underwriting Staff recommends that the Board of Directors complete the initial credit review, for the issuance of tax exempt bonds in the amount, not to exceed, $56.7 Million to finance a portion of the cost to build a 152 unit affordable assisted living facility, at 306 Southern Avenue. The subject transaction will be a tax exempt construction to permanent loan, currently underwritten for $52,176,948, funded through a limited public offering of tax exempt bonds issued by DCHFA. The development will provide all residents with assistance with activities of daily living, such as, help with bathing, dressing, grooming, mobility, access to support services, such as medical, dental, rehab, and counseling services, 24 hour supervision, and three meals per day, in a central dining setting. All units will be restricted to residents with incomes of 60 percent of AMI, or less. The facility will be unique in D.C., because affordable assisted living facilities, such as the planned Southern Avenue development, are almost non-existent.

The unmet need in the marketplace for assisted living facilities, we believe, can begin to be met with the Southern Avenue development. The affordability and feasibility of this development are made possible by a recent increase in the D.C. Medicaid reimbursement rate, from $60 per person, per day, to $155 per person, per day, in 2017. The current rate is $157.78 per day, or approximately, $404,732 per month, per resident for assisted living facilities. D.C. residents of Southern Avenue will be Medicaid EPB Waiver Program qualified, over the age of 60, and determined by a case manager, to be in need of services, mainly, assistance with activities with daily living. Medicaid will reimburse the facility weekly, for medical and personal care services provided. Each resident's monthly rent payment will be made with State and Local Supplemental Security Income.

The property will be operated by Gardant Management Solutions. Founded in 1999, Gardant is an experienced assisted living provider, which currently manages 59 communities, with approximately 5,900 units. They are the largest provider of assisted living facilities, in Illinois, and the 14th largest in the country. As a full service management agent, Gardant handles marketing and lease up, hiring and training of staff, development of policies and procedures, accounting, contract negotiations, licensing, regulatory, and tax credit, and tax credit compliance services, for the properties they manage.

The capital stack for this development will consist of construction to permanent financing, in the amount of $52.1 Million dollars in DCHFA issued bonds, $14.6 Million in low income housing and tax credit equity, and $1.4 Million in a deferred developer fee. The total development cost of the affordable assisted living facility is $68.3 Million, inclusive of acquisition, hard and soft costs, developer and financing fees, reserves and escrow. The construction to permanent loan will be funded through a limited public offering of unrated tax exempt DCHFA bonds. The loan will have a two year interest only period, a 40 year amortization, and 40 year term. The projected interest rate is 5.3 percent, including the DCHFA issuer fee. The expected construction period is 18 months and lease up is expected to be 6 to 12 months.

The sponsors of this transaction will be Gilbane Development Company and Dantes Partners. The LIHTC investor will be Affordable Housing Partners, Inc., a subsidiary of Berkshire Hathaway. Other members of the development team include Hamel Builders and Situ Architecture and Design.

The following representatives from the project listed below introduced themselves and proceeded with the discussion:

Corey Powell and Eugene Amegashitsi of Dantes Partners
Mr. Bobby Gilbane of Gilbane Development

Ms. Miller raised a question regarding the ownership structure. Mr. Powell stated that there is a 50/50 ownership structure. Dantes Partners is jointly sharing the project work load, and both parties are involved in the management. Dantes Partners is the Managing Member and Gilbane Development Company is the Guarantor, and has the final say. If there is a dispute between the parties their agreement contains dispute resolution language.

Mr. Irving raised a question regarding DC Job creation. Mr. Powell noted that Dantes Partners and Gilbane have exceeded the CBE requirements for this project.

A motion to move the Southern Avenue transaction forward to final credit review was made by Mr. Irving, seconded by Ms. Miller and was followed by a chorus of ayes.

Mr. Binite re-entered the meeting and stated the following for the record: The Southern Avenue transaction is a transaction that my firm, Dantes Partners, is actively involved in. And, for that, I recuse myself from any and all conversations associated with this particular transaction, and I also was not present for any discussions that took place, during the course of the discussion, or the vote.

VI. Consideration of DCHFA Final Bond Resolution No. 2018-07 for Ainger Place

The following representatives of the transaction were present:

Terry Gule, Emmanuel Baptist Church
Chris Early, Vice President Michael's Development Company
Nick Bracco, Michael's Development Company
Anitra Androh, Miles and Stockbridge, Counsel for Ainger Place Development Corporation

Ms. Duru presented the following information about the transaction for the record:

The Multifamily Lending and Neighborhood Investments Underwriting Staff recommends that the Board of Directors approve the Final Bond Resolution for the issuance of tax exempt bonds in an amount, not to exceed $16.875 Million, to finance a portion of the cost to build Ainger Place Apartments.

The subject transaction will be funded by publically sold tax exempt bonds in the amount of $13.75 Million dollars, which will be cash collateralized by a construction loan.
The development will be located at 2410 and 2412 Ainger Place, Southeast. It will be located in the designated qualified census track and is eligible for a 30 percent basis boost, for low income housing tax credits.

The development will consist of 72 units. The property will have 18 units set aside for households earning 30 percent of Area Median Income (AMI), or less, and will receive project based Local Rent Supplement Program (LRSP) Housing Vouchers. Eight of the LRSP units will be designated as permanent supportive housing for formally homeless single women. The remaining units will be set aside for households at 50 percent of AMI, or less.

The capital stack will consist of permanent financing, in the amount of $6 Million dollars, via a HUD 224(d), 221(d)(4) loan via Pillar Financial, a division of SunTrust Bank, $10,691,242 in a DSUD housing construction trust fund loan, a $400,000 seller note, $505,000 interest accrued on subordinate loans, $10 Million in low income housing tax credit equity, $487,000 in earnings on short term investments, $739,000 in deferred developer fee, and $100 in managing member equity. The total development cost of the project is $28.8 Million dollars, or approximately, $400,000 per unit, inclusive of hard and soft costs, developer and financing fees, reserves and escrows. The project will be financed in part through the issuance of $13.75 Million in short term tax exempt bonds, which will be collateralized by the anticipated $10.6 Million HPTF loan proceeds and $6 Million permanent mortgage.

The short term two year bonds will be interest only. The bonds will be sold through a public offering, by Investment Bank Stifel and rated by Standard Employer's Financial Services.

Ms. Duru opened the floor to the representatives of the transaction. Mr. Bracco stated the following for the record: We have been moving the project along, quite expeditiously, over the past several months. We are close to getting our 221(d)(4) commitment, and are planning on closing in August and, hope that this Board will approve our final resolution, so we can move forward.

Mr. Jackson raised a question about the relocation plan for the transaction. Mr. Bracco and Mr. Early noted that they will be utilizing a matrix spreadsheet that will record where the tenants have been moved. Mr. Early stated that once they are closer to construction, they will reach back out to the tenants who have been relocated and ensure they have had an opportunity to apply to to live at the property.

Mr. Green raised concern about the Operating Expenses for the transaction given the comparable properties (comps) listed in the Underwriting Memo presented. A discussion commenced about the Operating Expenses and to address Mr. Green's concern Mr. Bracco and Mr. Early re-worked the Operating Expenses figures by using the Maplewood Courts administration cost and then substituting that number for the Garfield Hills administration costs, from there they were able to net out the maintenance from each category. Mr. Binite requested that Mr. Bracco and Mr. Early send DCHFA their own comps from previously executed transactions in their portfolio to fully alleviate Mr. Green's concern about the Operating Expenses.

A motion was presented by Mr. Jackson, to approve DCHFA Final Bond Resolution Number 2018-07 for Ainger Place. That motion was properly seconded by Ms. Miller.

Mr. Lee called for a roll call vote:

Ms. Miller: AYE
Mr. Irving: AYE
Mr. Jackson: AYE
Mr. Binite: AYE
Mr. Green: AYE

The motion passed unanimously.

VII. Executive Director's Report.

- DCHFA is in the process of preparing a 2019 Budget to present to the Board for approval. The Board should expect to see a draft budget by the second board meeting in August for final presentation, and we will be asking for approval by the first board meeting during the month of September.
- DCHFA has completed its first positive Housing Investment Platform (HIP) transaction, as of June 29th of this year and the development at Elvans Road is fully sold out.
- Mr. Lee invited the Board to participate in a volunteer project with DCHFA staff to assemble Comfort Cases for foster children on Friday, July 13, 2018.

VIII. Adjournment

Mr. Lee called for a motion to adjourn.

A motion to adjourn the meeting was made by Mr. Jackson and seconded by Ms. Miller.

The motion was approved by a chorus of ayes.

The meeting adjourned at 7:16 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on August 10, 2018.

Approved by the Board of Directors on August 14, 2018.